

Principal Risks and Uncertainties

Key for change since last year

△ Increased ▽ Decreased <▷ No change

Risks and uncertainties	Mitigating actions taken	Change
<p>Climate change Risk/impact Potential to impact our supply chain and increase volatility in the prices of raw materials, and other supplies.</p> <p>Sudden climate change events, such as increased severe weather conditions and storms, could impact our supply chains and shipments, and business processes.</p> <p>Regulations increasing costs could be imposed on manufacturing, certain processes, fuels/goods used, impacting prices for products that customers require.</p>	<ul style="list-style-type: none"> Improving partnerships and relationships in our supply chain to combat disruption and potential price increases Greater resilience by using suppliers from different geographical locations Ensuring suppliers and logistics partners understand the risks of climate change Strategic buying of core products and careful stocking Development of targets for reducing our Scope 1, 2 and 3 greenhouse gas emissions Investment in new technology to manufacture new products to address the needs of climate change, with improved energy efficiency Our strategy includes helping customers address climate change, by selling and creating innovative products with sustainable qualities and eco-friendly credentials Providing environmental data for our customers, employees, investors and stakeholders 	<p>△ Increased</p>
<p>Geopolitical and macroeconomic uncertainty Risk/impact Macroeconomic uncertainty on a global basis post pandemic, and global geopolitical uncertainty.</p> <p>Markets are not settled post Brexit and ongoing potential for delays due to strikes and disruption from other services.</p> <p>Continuing inflationary pressures on raw material, energy supplies and services, also impacting pay and other costs.</p>	<ul style="list-style-type: none"> Strategic positioning in export markets/sectors anticipated to grow faster than the UK construction market Revenues are derived from a variety of end-use construction markets – this proves resilience Development of added value systems and solutions that are underpinned by legislation, building regulation and/or specified by architects and engineers Continuous development and introduction of innovative green products, systems, solutions, and services that are market leading and differentiated against the competition Increasing supply chain flexibility Limited exposure to currency risk, mainly the euro and US dollar. These exposures are for the most part hedged, with hedging percentages increased to manage potential FX volatility Robust management has ensured cost increases are passed on to customers 	<p><▷ No change</p>
<p>Supply chain/inflation Risk/impact International supply chain risks had increased following the pandemic and geopolitical uncertainty. The residual issue is price inflation, skilled staff shortages, increased tariffs/duties, Brexit risks in Europe and geopolitical uncertainty following the war in Ukraine.</p>	<ul style="list-style-type: none"> Annual strategic reviews, including supplier, quality, reliability, and sustainability Brand and product strength has allowed cost increases to be largely recovered through higher prices Regular key supplier visits, good relationships maintained including quality control reviews and training Supply chain flexibility to avoid strategic dependence on single sources of supply Supplier questionnaires and export checks are completed to ensure compliance with Group policies, including anti-bribery, anti-modern slavery and ESG Training provided on customs duties, particularly on managing evolving arrangements post Brexit 	<p><▷ No change</p>

Principal Risks and Uncertainties continued

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<p>Cyber security and business interruption</p> <p>Risk/impact</p> <p>Cyber security risks and business interruption risks are increasing globally and have increased during the Covid-19 pandemic and following recent geopolitical events globally.</p> <p>The risk of a cyber threat from increased failure/and/or ICT cyber crime could cause interruption or loss.</p>	<ul style="list-style-type: none"> IT disaster plans are in place for all businesses and tested regularly Business continuity plans are in place at each business, and are tested for ICT Awareness training and management briefings held on cyber security risks and actions taken as preventative measures New security protocols and software are installed and continually updated to mitigate evolving cyber threats Regular reviews of cyber security, including external penetration testing and reviews with external IT professionals Critical plant and equipment are identified, with associated breakdown/recovery plans in place Employee awareness of potential risks are mitigated through cyber training Further systems are being implemented to improve resilience, support growth plans and drive efficiency. Implementation risks are mitigated via the use of third-parties, qualified project managers, and increased user testing 	<p>△</p> <p>Increased</p>
<p>Credit risk</p> <p>Risk/impact</p> <p>The risk is that credit is extended and customers are unable to settle invoices. The Group manages credit risks and the contribution from the UK Government Export Credit Scheme for overseas opportunities has supported export opportunities.</p>	<ul style="list-style-type: none"> Most credit risks are insured Large export contracts are backed by letters of credit, performance bonds, guarantees or similar, where possible Any risks taken above insured limits are subject to strict delegated authority limits Credit checks performed when accepting new customers/new work The Group employs experienced credit controllers and aged debt reports are reviewed at monthly subsidiary Board meetings 	<p>◁▷</p> <p>No change</p>
<p>Health & safety risks</p> <p>Risk/impact</p> <p>Health & safety incident/injury could occur despite a strong culture and previous management performance. Consequential reputational risk and legal costs.</p>	<ul style="list-style-type: none"> Health & safety and the wellbeing of staff is a core value of management and the first Board agenda item H&S commitment communicated to all levels of the business Risk assessments are carried out and safe systems of work documented and communicated All safety incidents and significant near misses are reported at Board level monthly, with appropriate remedial action taken Group Health & Safety best practice days are held twice a year, chaired by the Chief Executive Annual audits of health & safety are conducted in all Group businesses by independent consultants and other specialist advisers Health & Safety training is provided, and implementation is monitored, there has been a focus on increasing the number of staff being trained in H&S across the business Specific focus on improving safety of higher risk operations, with external consultancy support as needed Serious near misses are reported to the Board 	<p>◁▷</p> <p>No change</p>

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<p>Staff recruitment and retention risks</p> <p>Risk/impact Potential lack of skilled employees being available for recruitment and risk of loss due to wage inflation in the jobs market. Risk of not being able to take on/retain key skilled staff.</p>	<ul style="list-style-type: none"> • Remuneration packages are appropriate to the position: staff are encouraged and supported to grow their careers through training and development • Board and Executive Committee focus on staff retention and reward, supported by HR and external advice • Employee numbers and changes monitored in monthly subsidiary Board meetings • We offer competitive wages, training and development • Retention plans for key, high-performing, and high-potential employees • The Remuneration Committee considers retention and motivation when considering the remuneration framework • Succession planning • New training and development courses have been added to the list of programmes available 	<p><△> No change</p>
<p>Product/service differentiation relative to competition not developed or maintained</p> <p>Risk/impact Failure to innovate. New products are required to grow and maintain competitive advantage.</p>	<ul style="list-style-type: none"> • A devolved operating model with both Group and local management responsible for developing a deep knowledge of our specialist markets and identifying opportunities and emerging market trends • Innovation best practice is planned at Group level and carried out more regularly in each business. New product ideas are discussed as part of the businesses' strategy • Annual Group strategy meetings encourage innovation and 'blue sky' thinking • New product introduction/development KPI used to monitor progress • Monitoring the market for potentially new and/or disruptive technologies • Customer feedback considered in the design and/or supply of additional products and services • Devolved structure allows an agile approach to business and an ability to meet increasing demand for products • Employed new product managers to help identify gaps in the market and to ensure we have a leading-edge portfolio of products and services 	<p><△> No change</p>
<p>Loss of key customers</p> <p>Risk/impact The risk is the loss of markets or customers. Risk of loss of customers to competitors, project delays and reduced spending.</p>	<ul style="list-style-type: none"> • Cross selling of products encouraged to grow revenues, and to introduce customers to all our product ranges • Develop and maintain strong customer relationships through service excellence and dedicated account management • Product, system, and service differentiation and reliability • Project tracking and enquiry/quote conversion rate KPI • Increasing use of, and investment in, customer relationship management (CRM) software • Organisational and business agility to understand and adapt to changing and emerging customer needs • Developing new products for new customers/markets • Outstanding service and innovative products protect and help to retain customers • The Group operates credit insurance to cover the potential impact of bad debts. Service and client relationships also need to be maintained to retain and grow the business 	<p><△> No change</p>

Principal Risks and Uncertainties continued

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<p>Legacy defined benefit pension obligations</p> <p>Risk/impact</p> <p>The long-term funding of the pension scheme removes funds that need to be re-invested to grow the business. The pension scheme's obligations need to reduce by investments and by the maturity of the Scheme.</p>	<ul style="list-style-type: none"> • Continue to grow the business so that the relative affordability of pension deficit contributions is improved over time • Continue to maintain constructive relationship with Pension Trustees to enable active management of scheme liabilities and assets to reduce deficit • Affordable pension funding commitments agreed to eliminate the deficit over a reasonable timeframe • Regular review at Group Board level • Use of specialist advisers • Investment performance and risk/return balance overseen by an Investment Committee that receives specialist investment advice • The Trustees are pursuing a lower risk investment strategy to match liability risks and reduce future volatility 	<p>∇</p> <p>Decreased</p>
<p>Product warranty/recall risks</p> <p>Risk/impact</p> <p>Risk is one of Product recall risks with subsequent cost and reputational risks; however, the Group does not have a history of significant warranty claims or product recalls.</p>	<ul style="list-style-type: none"> • Robust internal quality systems, compliance with relevant legislation, building regulations and industry standards (e.g., ISO, BBA etc.), and product testing, as appropriate, meeting global standards • Group insurance programme to cover larger potential risks • Back-to-back warranties obtained from suppliers where possible 	<p><∆></p> <p>No change</p>

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